

Office of the Comptroller of the Currency

Program Summary by Budget Activity

(Dollars in thousands)

Budget Activity	FY 2007	FY 2008	FY 2009		
	Obligated	Estimated	Estimated	Increase/ Decrease	Percent Change
Supervise	528,622	625,582	675,780	50,198	8.0%
Regulate	91,296	98,669	108,414	9,745	9.9%
Charter	18,515	24,849	26,678	1,829	7.4%
Total Cost of Operations	\$638,433	\$749,100	\$810,872	\$61,772	8.2%

Explanation of Budget Estimate

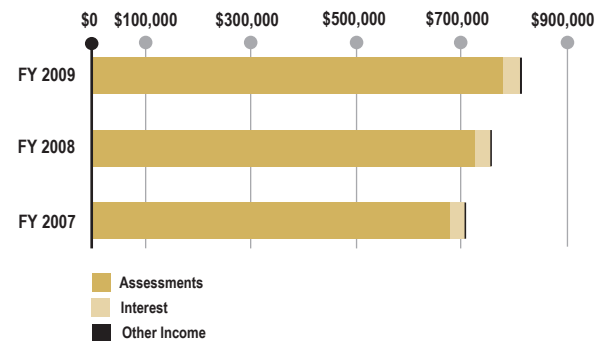
The Office of the Comptroller of the Currency (OCC) supervises approximately 1,740 national bank charters and 48 federal branches of foreign banks in the United States (U.S.). Total assets under the OCC supervision are approximately \$7.7 trillion or 68 percent of total U.S. commercial banking assets. The average size and complexity of the institutions in the national banking system continue to grow, creating increasing and diverse challenges for the OCC.

The OCC's priorities for the 2008 fiscal year (FY) include supervisory issues related to potential adverse changes in national bank asset quality and risk profiles, continued work on proposed revisions to the federal banking agencies' risk-based capital standards, compliance with Bank Secrecy Act/anti-money laundering (BSA/AML) and USA PATRIOT Act requirements, and addressing issues raised by the range of retail banking products offered by national banks. Coordination and cooperation with state regulators will be a significant focus for the agency. Filling key experienced and specialty examiner and bank supervision policy analyst positions, recruiting entry-level examiners and enhancing their retention at the critical three/four-year point of their careers, and developing the next generation of bank supervision leadership are also critical initiatives of the OCC.

In FY 2008, an estimated \$749,100,000 is needed to fund ongoing OCC operations and address program priorities effectively. Estimated OCC revenue for FY 2008 is \$757,600,000, which is collected primarily from semiannual assessments levied on national banks. The OCC receives no appropriated funds from Congress.

OCC Revenue History

[Dollars in Thousands]



Purpose of Program

The OCC was created by Congress to charter national banks, to oversee a nationwide system of banking institutions, and to ensure that national banks are safe and sound, competitive and profitable, and capable of serving in the best possible manner the banking needs of their customers.

As the regulator of national banks, the OCC has established four strategic goals that help support a strong economy for the American public: 1) a safe and sound national banking system; 2) fair access to financial services and fair treatment of bank customers; 3) a flexible legal and regulatory framework that enables the national banking system to provide a full competitive array of financial services; and 4) an expert, highly motivated, and diverse workforce that makes effective use of OCC resources. The OCC organizes its activities under three programs: Supervise, Regulate, and Charter, to achieve the goals and objectives outlined in its strategic plan.

Explanation of Budget Activities

Supervise (\$625,582,000 from reimbursable programs) The Supervise program consists of those

ongoing supervision and enforcement activities undertaken to ensure that each national bank is operating in a safe and sound manner and is complying with applicable laws, rules, and regulations relative to the bank and the customers and communities it serves. This program includes bank examinations and enforcement activities; resolution of disputes through the National Bank Appeals process; ongoing monitoring of banks; and analysis of systemic risks and market trends in the national banking system or groups of national banks, the financial services industry, and the economic and regulatory environment.

Regulate (\$98,669,000 from reimbursable programs) The Regulate program consists of those ongoing activities that result in the establishment of regulations, policies, operating guidance, and interpretations of general applicability to national banks. These regulations, policies, and interpretations may establish system-wide standards, define acceptable banking practices, provide guidance on risks and responsibilities facing national banks, or prohibit (or restrict) banking practices deemed to be imprudent or unsafe. This program includes the establishment of examination policies, handbooks, and interpretations for examiners as well as representation of the OCC's regulatory authorities and interpretations in administrative, judicial, and congressional hearings.

Charter (\$24,849,000 from reimbursable programs) The Charter program involves those ongoing activities that result in the chartering of national banks as well as the evaluation of the permissibility of structures and activities of national banks and their subsidiaries. This includes the review and approval

of new national bank charters, federal branches and agencies, mergers, acquisitions, conversions, business combinations, corporate reorganizations, changes in control, operating subsidiaries, branches, relocations, and subordinated debt issues.

Legislative Proposals

OCC currently has no legislative proposals.

Capital Investments Summary

One major investment is planned for FY 2008, Strategies and Resources (STARS). STARS will support the strategic planning, scheduling, resource allocation and tracking of the OCC bank examination activities. It will provide the Large Bank Supervision management with better tools to effectively plan, manage and monitor supervision activities, and will afford management better insight into the progress, status, and success or failure of these activities. STARS will provide the bank supervision community the ability to plan examinations more effectively, use resources more efficiently and assign them to the highest priority activities, and accurately track the status of the examinations process.

During future implementation stages, STARS will provide the ability to analyze data and study examination completion times and success rates. The data analysis capability will help improve future planning and forecasting for the strategy process. STARS is planned to eventually include interfaces to the OCC timekeeping and travel systems for gathering actual time and cost information.

OCC Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007		FY 2008	FY 2009
		Actual	Actual	Actual	Target Met?	Target	Target
Supervise	Percentage of national banks that are categorized as well capitalized (%) (Oe)	99	99	99	✓	95	95
Supervise	Percentage of national banks with composite CAMELS rating 1 or 2 (%) (Oe)	94	95	96	✓	90	95
Supervise	Percentage of national banks with consumer compliance rating of 1 or 2 (%) (Oe)	94	94	97	✓	94	94
Supervise	Rehabilitated national banks as a percentage of the problem national banks one year ago (CAMELS 3, 4 or 5) (%) (Oe)	44	46	52	✓	40	40
Charter	Percentage of licensing applications and notices completed within established timeframes. (%) (Oe)	96	94	96	✓	95	95

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Description of Performance

Overall, the national banking system is healthy and in compliance with consumer protection laws and other regulations, with 97 percent earning a consumer compliance rating of either 1 or 2. As of September 30, 2007, 99 percent of national banks were classified as well capitalized. National banks' capital has remained at this consistently high level for the past several years.

Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for evaluating all significant financial, operational and compliance factors inherent in a bank. Evaluations are made on Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk. The rating scale is 1 through 5 of which 1 is the highest rating granted. CAMELS ratings are assigned at the completion of every supervisory cycle or when there is a significant event leading to a change in CAMELS. Through September 30, 2007, 96 percent of national banks earned a composite CAMELS rating of either 1 or 2, signifying an overall safe and sound national banking system and a foundation for a strong U.S. economy. Fifty-two percent of banks with composite CAMELS rating of 3, 4, or 5 one year ago have improved their ratings to either 1 or 2 this year. This is an improvement from 46 percent achieved in FY 2006 and 44 percent achieved in FY 2005.

The OCC's timely and effective approval of corporate applications contributes to the nation's economy by enabling national banks to complete various corporate transactions and introduce new financial products and services. Delays in providing prompt decisions on applications and notices can deprive a bank of a competitive or business opportunity, create business uncertainties, or diminish financial results. Time frames have been established for completing each type of application and notice. The OCC completed 96 percent of applications and notices within the time standard through September 30, 2007. Institutions receiving decisions on their corporate applications and notices rated the OCC's overall licensing services an average of 1.2. The licensing survey is based on a five-point rating scale, in which 1 indicates outstanding and 5 indicates significantly deficient.

Beginning in FY 2006, the OCC implemented a performance measure that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex national banking system. Total bank assets represent the growth and complexity of the national banking system. This measure supports the OCC's strategic goal of efficient use of agency resources. The OCC's ability to control its costs while ensuring the safety and soundness of the banking system benefits all national bank customers.